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SEC/134/2021-22

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Dear Sir(s)/Ma'am(s),

**Sub: Earnings Conference Call Transcript – O3FY22.**

With reference to our Letter No. SEC/110/2021-22 dated January 10, 2022, please find enclosed herewith the call Transcript of the Earnings Conference Call held on the financial performance for the third quarter and nine months ended December 31, 2021, on Thursday, January 20, 2022.

The Transcript of the conference call can also be accessed from the website of the Company at [www.mastek.com](http://www.mastek.com)

Request you to take the note of the above.

Thanking you,

Yours faithfully,

For Mastek Limited

  
**Dinesh Kalani**  
Company Secretary  
Encl: A/A





“Mastek Limited's Q3FY22 Earnings Conference Call”

**January 20, 2022**



**MANAGEMENT:** **MR. ASHANK DESAI – VICE CHAIRMAN & MANAGING DIRECTOR, MASTEK**  
**MR. HIRAL CHANDRANA – GLOBAL CHIEF EXECUTIVE OFFICER, MASTEK**  
**MR. ARUN AGARWAL – GLOBAL CHIEF FINANCIAL OFFICER, MASTEK**  
**MS. DAMINI JHUNJHUNWALA – MASTEK**

**Moderator:** Ladies and gentlemen, good day and welcome to Mastek Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘\*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Damini Jhunjunwala. Thank you and over to you, ma'am.

**Damini Jhunjunwala:** Thank you, Aman. Good day to all of you. Welcome to Q3FY22 Earnings Call of Mastek. The results and presentation have already been mailed to you and you can also view it on our website, [www.mastek.com](http://www.mastek.com).

To take us through the results today and answer your questions, we have the top management of Mastek, represented by Mr. Ashank Desai – Vice Chairman & M.D., Mr. Hiral Chandrana – Global CEO and Mr. Arun Agarwal – Global CFO. Hiral will start the call with the update of the quarter, followed by Arun who will give the financial update which will then be followed by the Q&A session.

As usual, I would like to remind you that everything that is said on this call that reflects any outlook for the future or which may can be construed as a forward-looking statement must be viewed in conjunction with the risk and uncertainties that we face. These risks and uncertainties are included but not limited to what we mentioned in the prospectus filed with SEBI and subsequent annual reports that you can find on our website.

Having said that, I would like to hand over the call to Hiral. Hiral, over to you.

**Hiral Chandrana:** Thanks, Damini and good day, good evening to everybody, thanks for joining the call and hope everybody is staying safe and all your families are keeping safe. My name is Hiral Chandrana. I am the Global CEO. I would like to focus on four things in my discussion and will hand it over to Arun to provide more details on the financial performance as well.

The first topic is giving you a few highlights on key metrics. The second is around the business updates and outlook. Third is around people and talent and I'd like to end with strategic vision and our progress on that as we get ready for another fiscal year.

Coming to the financial highlights, you would have seen the results and some of the key metrics but I want to highlight two or three things very quickly and Arun will cover it in a lot more detail, the revenue performance year-on-year was 24.6%. We had a quarter-on-quarter growth which was slightly lower but the nine months put together for this fiscal year compared to the last nine months from the last fiscal year year-on-year growth was almost greater than 29%.

Our order book performance was the highlight of the quarter. We actually had tremendous deal momentum. We alluded to this in the last call in October as well, where I had given indication

of some large deals as well as mid-size deals that we've been working on. That is reflected in the 12-month order backlog as well as in the order book performance, which again is greater than 34% year-on-year. Lot more deals in the pipeline. We continue to see good traction and I'll cover that in the business commentary.

Operating EBITDA, we've been able to maintain in spite of talent costs and various other investments; 21.1% and we have communicated that in the past as well in terms of our rigor of managing the business, but again Arun will cover more details on each of those metrics.

What I do want to highlight as part of the performance is this is one of our quarters that we've had one of the areas that we did focus on significantly was recruiting and then of course retention and we'll cover that in the people and the talent part, but our engine is now firing to cater to the demand that we're seeing in the market and we will continue to focus on recruiting and retention being the key priority for the coming quarters.

The other element which is part of our results as well is our ability to now engage with larger clients and Fortune 1,000 customers. I had mentioned this in the past call as well but we've added even in Q3, 7 new Fortune 1,000 clients which is reflected in our results as well as a lot more discussions in the pipeline. So, we're feeling lot more confident of large customers engaging us in strategic discussions around their digital and cloud journey and our ability to not just interact in strategic conversations but close larger deals with them as well. That's a summary of the highlights on the financial metrics.

Let me go on to the business commentary and give you a flavor of specific areas that we're focused on. In October when we had spoken there were three or four things we had communicated; One is around the large deals that were there in the pipeline; the second was around co-sell strategy combining the power of Oracle Cloud and our digital services to create more integrated deals; number three was obviously our focus on strategic bets which included data, automation and focus on healthcare and life sciences.

So, in that context let me start with UK and we are very excited about the largest deal that Mastek has closed in the history of our being, and the same has been communicated in the public forums. I had alluded again to it in our October call but we could not declare it officially. We have now officially communicated that it is a greater than \$60 million deal over four years. And more importantly it's a very strategic impact to the UK's public infrastructure and healthcare IT at the national level. When patients go through different implants and medical devices, there's always reactions and after-effects and our solution that we are designing, developing and operating for NHS is actually going to create data intelligence infrastructure to manage that and provide real-time information so that those after-effects can be managed. And NHS is very excited about this so is the entire UK government as well as we have seen much more uptick in NHS itself on a few other areas which we will announce in the next quarter but there are deals that we have won in January as well. I mentioned NHS specifically because we had again very transparently

communicated that we had seen a dip in the NHS revenue in Q2 FY22 and that had effects in Q3 as well, but now we feel confident with the order book and the momentum that we should be able to get that back on an uptick starting this quarter which is in Q4.

Moving on to our business in the Oracle Cloud space, as you know this has been one of the areas we've continued to grow, actually across all geographies. However, I'm very proud to say that our North America, US business when it comes to Oracle Cloud had a really solid order booking quarter. And this is important as we continue to focus on Americas for exponential growth. There are deals that we have won in North America which included large managed services deals. When we say managed services, we are differentiating in the market with our cloud and SaaS-based managed services model as well as integrated deals in that area. We also had two, three marquee logos in North America related to Oracle Cloud. One of them was a large trucking and logistics company which is a fresh implementation of a multi-tower Oracle Cloud and also significant more potential in the digital services in that organization.

We also built on one of the successful implementation and go live at a healthcare group. It is a provider to local healthcare agencies and hospitals. And this is another strategic one because we implemented Oracle Cloud in that organization and now we have won the follow-on managed services deal with that same organization. So, this is an example of how we are building on not just implementations but also downstream work in post our implementation.

Moving on to our digital services business in the US, there has been significant traction around D2X and our digital commerce space. As you know, the October-November-December quarter is a very heavy holiday season quarter, it has a seasonality effect for us because of holidays but it also is a very critical period for our retail and e-commerce customers. There has been about eight or nine significant go lives but also more importantly we're playing a role in not just supporting e-commerce side, but helping our clients, increase their revenue, increase their orders and transactions as well as looking at how they can improve conversions and attract more guests in their websites. So, this is particularly exciting because as more and more organizations not just in the retail space but also in manufacturing, in other industries move their business online. We have the experience and credibility to scale and make business impact and business outcomes for them.

There is one particular deal that I want to mention in the Americas which is again an integrated deal. When I say integrated deal, we have combined the power of our digital front office as well as our Oracle Cloud back office. Along with some digital development in the API and micro services world, so this particular deal is a marketing and media company where we are going to do entire lead to cash transformation from front office to back office which includes not just oracle but includes Salesforce and other technologies as well. This is particularly exciting because this again demonstrates the combined power of our Evosys acquisition and how we are incorporating that into every deal.

Hopefully that gives a flavor for some of the deals that we have won. There are more details on other wins we've had across UK, Middle East as well as Americas. We announced this week that we have opened a center in Romania. This is a strategic move as well as we continue to see traction in the Europe segment, particularly in Nordics and Netherlands. And this will provide us the ability to cater to languages as well as grow in the Europe market in the future.

All in all, business across geographies and segments was on the uptick in our order booking. We did have seasonality as I mentioned and furloughs, obviously currency impact from a UK perspective but we're looking forward with confidence given the demand and the pipeline that we have across all those geographies.

Coming on to a very strategic topic on people and talent, there are definitely challenges around the industry as you know on attrition, and we have communicated that we are engaged in about five to seven very strategic initiatives around talent. This goes all the way from employee, people experience to skill transformation to different ways in attracting talent. We have started to release an update on our brand positioning. You'll see more of that in the coming weeks. But employer brand and our positioning in the market is equally important from employee perspective and we are focused on our employee value proposition as well as talent and that is paying off where we are able to provide differentiated work and faster career growth and path and we've seen that in our ability to attract talent. This quarter which is the Q3 was one of our best quarters when it comes to number of people and the hiring and the onboarding. Most companies are doing that but we have ramped up on our fresher hiring as well as our combination of fresher and lateral hiring is with a position that's in Q4 and beyond. We are taking steps to manage the attrition and retention while improving our ability to increase our recruiting to cater to the demand that I mentioned earlier.

There are two executive leaders that we have hired among many other leaders who have joined Mastek in Q3. Across the board we've gotten some interesting talent from the industry. These are from large companies and even in some cases from leading startups that we're able to attract in the Mastek. The head of marketing and partnerships has joined us; she came from Capgemini. We're also going to be announcing that we have hired the head of innovation and technology, and this will chart our ambition of creating non-linear platforms and differentiated growth going into the next three years.

Let me move on quickly to our strategic vision and progress around that and then I'll hand it over to Arun. We have indicated a few big bets and I'll just cover them very quickly, happy to answer any questions around that in our Q&A. But our strategic priorities have been under four and four plus one I'll say, big blocks. The first one is around the Americas geography and hopefully you're seeing that uptick in momentum but we are particularly excited about the pipeline as well as on the order book side like I mentioned, we expect that to continue to grow in this quarter and beyond.

The second is around data and automation. Again, you'll see that reflected in our results. We've been able to significantly increase our share in the data and automation space. I think this is going to be important as we look at the next three years, we believe that this year is going to be in the data pipeline and how data is going to move into the cloud. So, as Mastek is mostly a digital and cloud business we have the unique ability to focus on this area and also take a head start not just within organically but even potentially through partnerships and inorganic means.

Our healthcare focus that we have communicated in the last couple of calls is now starting to pay off. We are hyper focused on this industry cluster because we do see the demand but also we have certain solutions and differentiators that we are able to win across geographies, not just NHS but even in Americas as well as in Middle East.

Our innovation focus is going to be critical but our ability to partner has significantly increased in addition to Oracle Cloud where we are dominating the partnership. We are the only company that has been listed as part of our Evosys umbrella where it is the only company that is listed in the oracle website as an organization that competes with SAP. This is important because of our focus where oracle is able to bring us into deals proactively and it is helping now create larger deals as well in the upper mid-market and even in the Fortune 1,000 space.

The last point I'll say is again on talent and people. I cannot stress on this enough. I'm very pleased with the change that we had made in the previous quarter where we integrated all our recruiting elements together into one function called Global Workforce Management and that is starting to pay off. You will see that in the Q4 hiring as well where we look at a significant number of freshers as well as laterals as we grow for the next three years. But more importantly we are differentiating when it comes to employee experience as well, that is important from a talent attraction but also from a talent retention perspective.

We have also been focusing on one more strategic area at a corporate level which is ESG. We also have plans to announce certain things and be listed on the Dow Sustainability Index and you'll see that in the next quarter announcement, but I wanted to give you that heads up because it relates to environment, sustainability, social values, governance, you've always known Mastek to lead the way and we continue to do that in addition to our work on the social and the foundation side.

With that, to wrap up my session, I think again on the financial metrics side, on the business commentary as well as the people and talent and the strategic vision, in that context we are confident about the growth in Q4 as well as going forward for the next three years as we execute on our strategic plan.

I'm going to hand it over to our Global CFO, Arun Agarwal. Thank you.

**Arun Agarwal:**

Thanks, Hiral. It is quite a comprehensive summary, gives a 360 degree view in terms of different initiative which company is driving. A very warm welcome to everyone on the call. Q3 was another quarter of our consistent financial performance. We are seeing positive order book momentum as mentioned by Hiral in our key markets UK and US followed by Europe, in our key verticals, government and healthcare and life sciences and in our focused service line, data automation and AI together with Oracle Cloud and enterprise apps while others continue to deliver on expected lines.

Revenue for the quarter was \$73.6 million, reflecting growth of 3.7% quarter-on-quarter and 20.9% year-on-year in constant currency terms. In INR terms, it was Rs.551.9 crores, up by 3.4% quarter-on-quarter and 24.6% year-on-year. Operating margin for the company stood at 21.1% for the quarter, flat when you compare to Q2 FY22.

I would like to stress and give a perspective while we continue to invest in talent retention, hiring and training the freshers and continue to hire laterals given current attrition scenario, we have been able to maintain healthy operating EBITDA margin on the back of operating levers and SG&A reallocation, an initiative which Mastek is running from last four years to ensure we deliver the quality of earnings.

As I mentioned about the healthy momentum in order book, the same has been reflected into our 12-month order backlog, we closed the quarter with \$171 million reflecting 9.9% increase quarter-on-quarter and 33.7% increase year-on-year in constant currency terms. Our PAT stood at Rs.83.5 crores, up 2.4% quarter-on-quarter and 18.7% year-on-year.

Coming to certain balance sheet items, closing cash was Rs. 932.3 crores versus Rs. 943.9 crores in the previous quarter. Just to highlight, during the quarter we have discharged part consideration for CCPS buyout to the tune of Rs.29 crores. We have also paid FY21 final dividend in the current quarter which was in the range of Rs.27 crores. We also discharged one installment of loan in the UK which was coming up on a timely installment terms and has been paid in the current quarter. Our free cash flow was 77.2% of net income for the period nine months ended December 2021.

During the quarter we have added 25 new customers and most important 7 of which have their revenue in greater than one billion in size, which again creates multiple options as Hiral alluded to whereby we can go and do a lot of cross-selling, co-selling because they come with very high IT wallet in terms of spend. Our average deal sizes are increasing as we are participating in more multi-million and multi-years dollar deals on the basis of comprehensive and integrated solutioning including Oracle Cloud and Mastek digital services.

Our closing headcount for the quarter was 4,785 reflecting net addition of 275 resourcing during the quarter.



Very quickly reflecting on the geography performance, our UK and Europe business grew 2.3% quarter-on-quarter despite furloughs and seasonal impact. While public sector and healthcare continued to grow quarter-on-quarters in UK, we saw reduction in private sector revenue led by three-year project completion and go live and further impacted by seasonal leaves and the furloughs. As Hiral alluded to during the quarter, we have secured one of the highest order; \$60 million plus from the NHS. Just to highlight, if we go back to our last 12 months of conversation we had been onboarded by NHS as one of the 12 service providers under 800 million framework. This is the example of the deal which is coming out of that framework. We believe many more to come and this was the size we were looking for as we mentioned in the last quarter call and I'm quite happy to announce finally we have got it. In terms of UK geography, our year-on-year growth was 23.8%.

Moving quickly to US geography our quarter-on-quarter growth was 5.1%, coupled with strong order book in healthcare and other verticals across Oracle and Digital services. As Hiral mentioned, it is one of our biggest quarters in terms of order book in North America region for Oracle Cloud business. Year-on-year growth in the US was 30.7% during the quarter. AMEA grew 6.6% quarter-on-quarter and 21.2% year-on-year led by strong execution. Oracle and enterprise has continued to grow healthy, led by cloud transformation and managed service engagement and I would like to highlight, we have reshaped some of our offerings, we have coined a terminology called Application Enhancement Services, we call it AES internally. We are winning multi-million dollar and multi-year engagement under this offering. And the uniqueness of this offering is, it is created on the base of value-based delivery quite similar to what we are doing under implementation services. What it does to customers through automation, we are reducing the number of incidences which is coming for the kind of error situation or different not so comfortable situation for the user. As we bring those incidents down, more time can be spent in terms of enhancement of services and hence clients see better return on their investments. And at the same time as we are spending more time in terms of automation, it's opening up new business opportunity as we are getting into data automation and AI relating to the cloud offering and services.

Just to end the conversation, there are two more call-outs; very quick, one, we have declared interim dividend of Rs.7 per share which is 140% of our face value of share price. Also as Hiral alluded to, we have opened our near shore center in Romania to accelerate our expansion in Continental Europe and also support as near shore center for UK and other markets.

Thank you everyone for your time and the opportunity and your continued trust and support to Mastek. Let me hand over back to the moderator and open the floor for Q&A.

**Moderator:**

We will now begin the question-and-answer session. The first question is from the line of Baidik Sarkar from Unifi Capital. Please go ahead.

**Baidik Sarkar:**

Gentlemen, in the context of environment, I guess one expected much better numbers, so this is underwhelming. I have more than a few questions, so let's just stay with us until we're done. I'll go practice line wise. Hiral, the digital experience and commerce experience vertical I'm assuming is largely US-led and it's back in the de-growth territory. If I could request your frank assessment of what exactly is happening in the US market now? I understand the right to win might be constrained by our size and we've been making investments to that extent for several years now. How should we realistically imagine this particular, let's not address this with the blue-sky scenario because we know how attractive the blue sky is, please give us a realistic assessment of how we should imagine this whole thing to execution and why you feel this will break out? I mean if at all you think it will and I repeat no macros.

**Hiral Chandrana:**

So, thanks for the question, Baidik. I was able to hear you fine, but your voice was a little bit unclear although I did get the gist of the question, so let me answer it and then you can clarify if there's certain things that were not answered. Again, I think it was just a combination of the digital experience and commerce in the US in the context of Americas. There are two or three things when it comes to the whole digital experience and commerce phase. One is the specific commerce itself where we do a lot of business, managing as well as developing, operating websites and helping our customers grow in the online space. There is also certain elements of imagining their customer journey as it relates to front office transformation. So, this includes sales, services, marketing. And then Oracle also has a CX component of the business which is what they call Oracle CX which is now integrated in their portfolio which includes CPQ and CRM from an Oracle perspective. So, when we reclassified this particular line item on the digital experience and commerce side, it includes the Oracle components as well, so that's point number one, the commerce and experience parts, I am referring to. In that context, the majority of the customers that we've had in the past have been retail and consumer type of customers. This is again going back over the last couple of years. But what is happening now is the same experience of B2C and the same movement of e-commerce transformation is getting applied to other industries as well. It could be manufacturing industries; it could be even financial industries or healthcare industries. And this is where we have joined the differentiated approach and framework called D2X which is direct to stakeholder. And this is giving us the ability not just to look at direct to consumer, but direct to supplier, direct to partner, direct to any other stakeholder that the customer deals with. So, this is just the business framework in which we're operating that. Americas, when we look at this particular practice and this particular service line, we have started to win deals in Australia, in Middle East, as well as in UK. So, it is no longer just purely Americas business, so that's point number one. Point number two is now we are able to take that element of front office which is combined with all the things I talked about and I have integrated approaches where we can combine CX, digital commerce as well as back office. The example of the deal I gave earlier on the marketing and advertising media company is actually combining sales force as well as Oracle back office. So, this is how we look at it. December is going to be a challenging quarter for this business in particular because of the holiday season as well as there is no new development that typically customers do in November

and December and this is pretty standard across the industry, I've seen this in the last 15 years. And the reason for that is the focus is really on the sales to execute the orders, to look at transactions to improve their volumes. So, you'll see a little bit of a challenge when it comes to this particular line item in Q3, but this is a business that we are very confident that will continue to grow on an absolute basis. So, hopefully that answered the question, Baidik.

**Moderator:** The next question is from the line of Debashish Mazumdar from B&K Securities. Please go ahead.

**Debashish Mazumdar:** So, this is a continuation of a question I asked in the last quarter call also. If I see and connect the dots of the factsheet number that you have announced, it is very clear that we have certain amount of lesser growth or degrowth we are seeing in the private customers in the Europe market. This in the context I'm asking because all of our larger peers become very-very active in Europe market. So, is it like are we losing certain amount of market share with the private players in the Europe market because if I see across segments whether that is retail, manufacturing, energy, services everywhere we have reported de-growth and government has comparatively done well for us. So, I am assuming that Europe private segment has not done well for us in this quarter. So, are you seeing any trend here, is it a one-time play which is expected to come back in next few quarters, how do you want to see it?

**Hiral Chandrana:** Sure, Debashish. I think that's a good question. Let me divide into two parts. Yes, when it comes to Q3, the private sector revenue, just a pure number basis, had a challenge and de-grew, but that was something that we expected going into Q3. Part of it is of course furloughs and the seasonality but part of it is few projects getting completed as well. Now having said that this is an important part of our strategy and obviously we want to show this and execute on the promise when it comes to private sector, but we are still taking a focused approach here, we are not going to go into too many different verticals when it comes to private sector in the UK market. Our focus has been on the micro finance and the financial services components or part of the financial services vertical. We've also focused on retail and consumer sectors in the UK and we're starting to see a little bit traction in one or two other verticals. But if I look at going forward in terms of private, this is definitely not a pattern, we do have a good pipeline and actually some good traction building in the verticals I mentioned about. In fact we're expecting a very healthy order book. Three of the medium-sized deals that we were expecting to close this current quarter, this is Q4, we have actually closed two of them already in the UK private sector. So, it's definitely not a pattern. Having said that we have a low base out there and we do have to create a stronger value proposition so that we can go into the larger segment and deals. And that's the reason for our very focused approach because we believe if we're able to differentiate in certain verticals and certain value propositions we will be able to scale up eventually. A couple of the other comments I made around managed services, around integrated deals applies to that sector as well and we're starting to see in our pipeline with integrated deals where we're able to cross-sell into accounts, where we've had oracle or vice versa where we've had certain digital engineering work and we're able to cross-sell Oracle Cloud. So, hopefully you'll see more there on the private

sector in UK. The results right now does not demonstrate that, but we don't see that as a pattern and definitely it's part of our three-year strategy in terms of the growth engine.

**Debashish Mazumdar:** One related extension to this. We had a leadership change more than one year in the Europe market and then you also joined as a new leader in the company. So, is there any change in strategy in the Europe market that is affecting our short-term performance and that will turn back, is it something linked to that?

**Hiral Chandrana:** So, Debashish, I think we communicated this last time the main reason for the dip was one particular account where the wins and the new deals that we were able to close was not fast enough in time to really balance out the ramp downs and the projects that were completed in NHS. We were very transparent on that even in the last quarter call. So, Abhishek who joined actually is physically located to the UK region three months, four months back is doing a fantastic job. Actually, he's rallied the teams very well, taking a much more strategic and integrated approach. And that's what's reflecting in some of these wins and order book as well. So, yes, we don't see any kind of leadership challenges. In fact, we're very happy with how UK has come back strongly in Q3 from order book momentum perspective, and we see that reflecting in revenue growth in the coming quarters as well.

**Debashish Mazumdar:** No, I was not alluding to a leadership challenge. I was trying to understand that whether there is any strategy call that you have taken in leaving few clients or leaving few deals because of lesser profitability or something, that is what I'm trying to understand?

**Hiral Chandrana:** There is no strategic change in terms of defocusing on what we have because we are already very focused in the UK, we are focused on public sector, we are focused on NHS, and we are focused on certain verticals in the private sector. The strategic call is on two areas; one is the traction that we are seeing in the Europe market which is outside of UK. We're starting to see some good momentum where Oracle is getting us in there and so we are evaluating that market more holistically before jumping in a bigger way. So, that is point number one. Point number two is we are looking selectively at accounts in the Middle East. Given our ability now to get into Fortune 1,000 customers and larger clients across the board, we are evaluating on some of the smaller clients and the smaller deals. And by design we've looked at that particularly in Middle East, not UK, where we want to focus on lesser number of clients but more higher quality revenue because we are seeing our ability to increase the deal size as well as engage with other customers. Other than that, there is no major change in UK strategy.

**Debashish Mazumdar:** One last question around the attrition, although on LTM basis, attrition has gone up, that is visible, but do you see actual number of people churning is coming down or stabilizing at a certain point so that in percentage term it is still going to reflect in next two, three quarters down the line, are you seeing that trend happening?

**Hiral Chandrana:** I'm glad you brought that up. We should have probably covered that but Debashish, quarter-on-quarter attrition has actually stabilized for us. In fact, it was flat. And this is an important part of our retention and experience focus when it comes to employees because while the last 12 months like it has increased, but if you look at it from a Q2 to Q3 perspective that has been flat and stabilized. So, we do see that coming under some level of control and hopefully reducing after Q1 onwards. But the talent market is hot as you know, and we continue to do everything possible to focus on retention.

**Moderator:** The next question is from the line of Madhu Babu from Canara HSBC. Please go ahead.

**Madhu Babu:** Sir, based on this new NHS deal, should we have a good 4Q because last two quarters have been soft, so should we be back to like 6%, 7% quarter-on-quarter growth in 4Q?

**Hiral Chandrana:** As you know, Madhu, we don't guide right now when it comes to quarter-on-quarter revenue numbers but we're confident about delivering numbers in that range given that our order book has been strong across geographies as well as some of the dips that we experienced in Q2 and Q3 are now behind us. So, there's always risks in the business but as it stands today Q4 is definitely looking much better.

**Madhu Babu:** And sir, with this referral in NHS such a large deal, so are we in advance talks with any other large departments in UK government in terms of getting a large deal? I mean we deal with multiple other departments in UK, right? So are we in advanced stages with any other, in terms of getting any other large deal there?

**Hiral Chandrana:** So, while we are focused on NHS but there is definitely some significant momentum when it comes to our engagement with the army, when it comes to engagement with some of the existing immigration and other offices that we deal with, there is also the vehicle certification agency that we have won some deals and there are some city councils on the government side that we also won some deals. There is one new department and institution that we've engaged in. We believe that could be a pretty big game changer in the coming fiscal year if we're able to grow in that account. So, this is scratching the surface when it comes to a penetration in some of these larger spends. So, we do want to focus on mining and growing in some of the existing accounts that we have, but, yes, there is two or three new institutions that we've won which definitely present us the opportunity to grow in the future.

**Moderator:** The next question is from the line of Manoj Baheti from Carnelian Capital. Please go ahead.

**Manoj Baheti:** So, I have a couple of questions. First one is if I look at your disclosure in the press like you have added around 25 new clients, but your active clients vis-à-vis last quarter is down from 447 to 421. And secondly despite of \$60 million win large deals, your 12 months order backlog has gone up from \$155 million to \$171 million. So, how do I read these two things here?

**Hiral Chandrana:** So, let me start and then I'll have Arun also add in. There are two parts running to that question. So, if you look at our overall client mix relative to many of our competitors in the same sort of segment or even slightly larger companies, the number of clients that we have is actually significantly higher. Now this has certain advantages and that's a different part of the strategy that we're going to execute on and how we cater to those clients. But there is also our ability to move into the upper mid-market and Fortune 1,000 customers that is paying off. So, we do believe that there is an advantage in focusing on a lesser number of clients as a whole particularly, in certain geographies like Middle East where we believe there's opportunities in some of the existing customers, we don't have to necessarily go after every single client or every single deal. So, we've seen that reflects in the new clients and the active clients as well where if there is a project or a small engagement with the clients that is small inside, we have not put our efforts into renewing anything there, instead we're focusing on some of the larger deals and larger clients. So, that's the answer to the first part of your question. Arun, do you want to quickly comment on the order book and then I can add if you want.

**Arun Agarwal:** Manoj, interesting point, if you are referring to \$60 million deal that is the four year deal which we have received. Our focus is more in terms of getting long-term multi-million dollar contracts which keeps better visibility in terms of revenue profile as we get into. As Hiral alluded to, as we are getting into large value deals with upper mid-market or Fortune 1,000 customers that's the profile which we are targeting. However, what it does, the whole order book may not reflect in 12-months number because there is long tail to execute. I hope that helps, Manoj.

**Manoj Baheti:** Okay. So, it is next 12 months order backlog, right?

**Arun Agarwal:** Yes.

**Manoj Baheti:** It won't include entire \$60 million, right?

**Arun Agarwal:** Absolutely, you got it right.

**Manoj Baheti:** My second question is if I look at the attrition and looking at the kind of talent war which industry is facing, are you also likely to see some kind of margin pressure or you are able to pass through the incremental cost to the client, so if you can give some perspective on that?

**Arun Agarwal:** Pretty, nice question again. We are seeing there's a good churn, good attrition which is happening, we are investing into talent, hiring freshers, training them, we are hiring laterals as well. The wage curve is going up but again in terms of price increase there are two factors which will happen in a short to medium term. You will be able to pass on certain price increase and some of some of the price increase you need to bear at the company level. However, we believe a margin profile currently we have in the range of 21% operating EBITDA. There could be downside, but we are not expecting any significant reduction in the margin profile in the medium term. However, the whole approach is how we can keep working on the operating levers, keep

supporting the operating levers to give better margin improvement which we can reinvest one for your wage hike and second for the purpose of the investment which we need to drive to grow better than the industry. So, it's a combination which we are working on, Manoj, and we believe no significant erosion which we expect in medium term at least.

**Moderator:** The next question is from the line of Romil Jain from Electrum Portfolio Managers. Please go ahead.

**Romil Jain:** One question is just wanting to understand because we are in many geographies, Europe, UK as well as US now, so any major geographical margin differentiation that we have or it would be in the similar band?

**Arun Agarwal:** In the developed markets the margin profiles are much better if you get into UK, US, even Europe. And depending upon the nature of services you deliver and which Mastek specifically in the digital transformation space where we operate we have quite greater range of margin. However, if you get into Middle East or APAC kind of region, you might feel the quality of revenue is not that great. But if you ask me UK, US and Europe, they would be pretty similar and the customers care for quality of service and not worried with the right price. So, we don't see that as much of challenge in the developed markets.

**Hiral Chandrana:** I want to make one more comment on that. Part of our strategy to focus on higher quality revenue and lesser number of accounts in the Middle East is also connected to that point. So, if you look at that as a whole, it should help us not just have larger customers but better margins eventually in Middle East as well.

**Romil Jain:** Secondly, on the other expenses that we have I think they are in the range of 29%-30% right now. So, do we see any lever going ahead maybe not in one quarter or two quarters but going ahead we can play around and try to reduce that?

**Arun Agarwal:** There are multiple aspects. Let me give you one very quick margin improvement lever which we keep working internally. Typically, those sub-contractors and the contractors which you hire in the overseas market and some in the local market as well gets recorded under other expenses as a line. One of the levers which we work as a management holistically is to convert those sub-contractors into employees and therefore you can reduce the cost; however, the cost will move from other expenses to the salary, but, yes, the margin profile will improve. But again, it's a little medium term journey to be honest because at the moment we are seeing a significant requirement for the talent and therefore whether you get some contractors, the important point is you should be able to serve your customers and so that customer is happy and you can keep growing your revenue. So, that's more of a mid-term to a little year-to-year strategy to keep converting, reducing your other cost and off-setting the same with the employee cost.

**Romil Jain:** The acquisitions that we were planning, maybe couple of them, any updates?

**Hiral Chandrana:** So, let me take that and you can add. So, we have actually now formed a cross-functional team to focus on M&A. We're also seeing this as a continuum from a build, buy and partner perspective. And when I say that there are certain areas that we are going to organically create and build or strengthen, there are certain places where we will partner with the broader ecosystem and there are certain areas that we will acquire and we've been again transparent on those areas as well; it will be around CX and customer engagement, it will be around our cloud platform strategy as well as the data and intelligence, automation space around few leading platforms particularly with focus on healthcare and life sciences and a few other verticals. So, we've scanned multiple assets over the last three, four months. We continue to have detailed discussions on some of them. We're hopeful that in the next couple of months we'll get into some level of maturity, I mean, it's taken a little bit longer than we expected, the market is good, the valuations are high, but we've been able to narrow it down to a focused set of targets and it's a journey, it's not going to be a one-time journey, this is part of our strategy for the next three years as well where we will be very effective and focused when it comes to M&A. You might hear in the next quarter on this.

**Moderator:** The next question is from the line of Sunil Kothari from Unique PMS. Please go ahead.

**Sunil Kothari:** Compared to last two years, investor is feeling that we are losing some momentum. So, looking at your objective at last annual report of achieving some numbers by another three years, and six and seven years, what are the hurdles which you would like to overcome, to enhance and build again the confidence of the business community, because if we look at the last quarter's number, this quarter's number, on the numbers people always are getting disappointed because of maybe a little bit higher expectation or compared to other industry players the way they are performing. So, my question is what are the challenges we would like to overcome in maybe near term and medium term too and enhance to this confidence? And second question is looking at the demand scenario, looking at the cost which is going up of the employees and high attrition, do you see any pricing power coming back to industry maybe in a medium term?

**Hiral Chandrana:** I was able to hear, it was not fully clear, but I got the gist of the questions, and Arun I can start if you want feel free to add. As we look at the next two to three years, you mentioned about the broader ambition from our annual report as well as our overall 2025-2026 type of vision, there are a few levers and a few strategic pillars that we've been focused on and we'll continue to build on that and continue to communicate very transparently and progress around that. Capabilities and service offering is something that we have very closely looked at. There is a lot of good history and track record of very strong delivery at Mastek. And we believe that that's an advantage that we have not leveraged enough. We have some really high impact business value stories that we plan to get to the market and very excited about a new marketing leader coming onboard officially so that we can take that forward. But as it comes to the service offering, we have now created what we call as level III, level IV, value propositions which can truly differentiate when it comes to customer engagements and competitive scenarios, right. As you know, given our offerings differentiates us when it comes to deals particularly the larger deals.



So, this was one challenge that we saw, and we've been working on strengthening the capabilities and making it a much more next generation so that we can compete not just in addressing the challenge of customers today but also how they can get transformed tomorrow, right, because most of our customer base is moving to the cloud. So, when we say managed services, we actually don't talk about on-premise managed services as much, we actually talk about the SaaS and the cloud-based managed services. Our ability to accelerate the transformation in the cloud particularly with their digital cloud landscape. So, we're addressing some of these capabilities and offerings in a slightly different lens, that pays the way for not just today but for the next few years to come. So, point number one. I do believe that the people retention and the attrition challenge will continue for the next two to three quarters. Like I said we are seeing stabilization on our end at least when it comes to quarter-on-quarter and we believe that will continue to get better in the coming quarters as well. But as it relates to people, the one challenge which frankly the industry has, is the gap between demand and supply mismatch. And when I see that customers have significantly started to look at how they're going to transform and in some cases they're catching up, in some cases they're accelerating. Because of this the type of skills, what we call, future skills that is expected in each engagement is very different from what it was even two, to three years back. So, our engine and ability to not just recruit but cross-skill and cross-train is going to be even more important. Now fortunately we've had a very strong record with our US cloud business already. We have now taken that across the company and implemented it across the key big bet areas that we are focused on. Of course, there are challenges when it comes to the macro environment and political risks and specific geographies, there's always going to be some element of risks on M&A, but if we are able to address these two areas around service capability differentiation and people and getting them ready for future skills, I think we have all the ingredients as Mastek to deliver on the promise. So, we're very confident going into the next fiscal year given our pipeline and order book that we've been able to demonstrate but these are the two areas that we've been trying to strengthen over the last few months.

**Arun Agarwal:**

Very quickly to add, Sunil, as you ask for demand, employee cost and attrition, as I mentioned earlier, yes, there is an attrition which the industry itself is facing, we are doing multiple initiatives as Hiral alluded to in terms of retention strategies, and we are ramping up our capability to hire people as we onboarded significant amount of people this quarter and we continue to increase the count as we are growing our revenue. However, yes, we believe there is a pressure to the cost, but there are multiple operating levers where we work for. There could be dilution in margin but not significant as we expect, as operating levers are going to offset some of the cost increase and some of the cost increase should be easily passed over to the client as well.

**Moderator:**

The next question is from the line of Amar Maurya from Alfaccurate Advisors. Please go ahead.

**Amar Maurya:**

My question is more to understand, as you indicated that we had won a pretty integrated deal in the US geography. So, how basically going forward in next 12 to 18 months, overall deal pipeline is going to build up in US that is number one? Number two, Arun, if you can also indicate that

in terms of your 12-month order book, what would be the increase in order book from the US geography, if you can split this order book into the US and others?

**Hiral Chandrana:**

So, let me first address and then Arun if you want to take the second. The pipeline that we have today is actually the highest we've had. And part of it is related to the larger deal sizes and some of the larger customers that we're engaging in. Having said that just to stress again the order book that we had in North America last quarter in Q3 was the strongest and as we look at the deal pipeline in terms of not just the size of the deal, but the type of deals, right, whether it's end-to-end process transformation, whether it's cloud, SaaS managed services, whether it is integrated deals in terms of the types of technologies, it's not just in one or two areas, we talked about the deals which had Salesforce and Oracle but there are technologies that we're seeing, there are deals with for example Service Now or Snowflake. So, we are seeing different types of deals but our value proposition that we're taking to the customers in the US is starting to resonate because we have an integrated proposition around D2X, but we have now expanded that to certain process areas, the example I gave only to cash order transformation is one such example but we look at that industry-by-industry, we have an opportunity to differentiate. So, pipeline wise, we expect Americas to continue to grow fairly and significantly and in a differentiated manner. The people and the hiring that we've done even including some heavy hitters and experienced people coming from the industry will also support that growth and you should see continued traction when it comes to not just pipeline but order book as well as revenue in the Americas.

**Arun Agarwal:**

Again, we don't give breakup geography wise but quickly it's in the range of 7% to 8% increase in 12 months order backlog quarter-on-quarter.

**Amar Maurya:**

My context is like when we say that the large size deal pipeline in the US, so like the quantum or the size which we recently won in UK a probably larger size kind of a \$60 million dollar or \$40 million, so those kind of deals are also like in the pipeline or in the discussion?

**Hiral Chandrana:**

Let me clarify that. It's a good point. When we say large deals in the US I gave this context I think in the last call on some of the questions as well, historically, our deal sizes in the US if you rewind back maybe about a year or a year and a half were in the \$500K range right. If you really go back in 2020 a large deal in the US market for Mastek was \$500K. So, in that context the point I wanted to stress on is compared to some of the larger framework deals and the larger opportunities in public sector and health sector in UK that is not a comparable size for the Americas. Having said that our deal sizes in the US, we are starting to see deal sizes in the \$5 million to \$10 million range which we had not seen six to nine months back. And that's really what's giving us confidence because that's very different from the type of deals that we've seen in the last two years and many of them are integrated deals, many of them are managed services deals and many of them are combination deals across multiple technologies. So, that's the range that I'm referring to in the \$5 million to \$10 million.

- Moderator:** The next question is from the line of Sahil from SS Capital. Please go ahead.
- Sahil:** One thing I wanted to understand is the major focus of our strategy has been Oracle Cloud and ERP. Could there be any focus on diversifying the set of cloud providers we work with because for example Azure, AWS, Google Cloud are all hyper scalers and being in those value chains might allow us to grab a larger share of customer wallet?
- Hiral Chandrana:** Yes, absolutely. First of all, again, the Oracle business led by Umang and team have done a fantastic job. Our focus on that is really helping like I mentioned we're the only company listed on Oracle's website, for SAP compete. So, that advantage and that differentiation we want to maintain. Having said that, absolutely, the couple of you mentioned and then also a couple that I mentioned earlier, so part of our strategy is also to look at Microsoft, not just Azure, definitely, Azure and related hyper scaler but also Microsoft as a whole where we are seeing some good traction in the power automate around the business intelligence around Azure, Devops, Salesforce is another platform that we're very bullish on, the wins that we had are giving us confidence that we can build pipeline in that space as well. ServiceNow is another area that we started getting traction particularly in Middle East, you can take that to the UK and Europe and US markets as well. And AWS, we're seeing some really good traction in UK. So, we've been very selective in terms of which platforms and which cloud solutions to bet on, but Azure and AWS are definitely part of the strategy and Salesforce, UiPath and ServiceNow are definitely part of the strategy. We are not planning to build any capability in SAP, we're not planning to build any capability competing direct to Oracle ERP providers; but these platforms that I talked about are all complementary and we are seeing that in the same accounts that we are already in and that's really what I was referring to in the capability build as well, we've focused on these four or five platforms and we'll start seeing more deals in that space as well.
- Sahil:** If at all possible to please break down any kind of revenue like how much if it comes at all from these other platforms because it helps us understand part of the diversification of the revenue stream? The second question i have for you is if we look at our attrition rate are 28%. It's possibly one of the highest that we have seen among listed peers. I'm just trying to understand when I compared to some of these peers this is fairly high, even like pre-COVID it used to be fairly high at around 20% or so, like is there any reason for that?
- Hiral Chandrana:** Arun, correct me if I'm wrong I mean if you want to add, but I think our attrition number is 7%, 7.1% and that's the same number in that range is where we were in Q2 FY22. So, the comment that I had made earlier in terms of quarter-on-quarter stabilization was related to the range of that percentage points. Now having said that it is high and clearly there is increased focus on that. We do believe that in the last three, four months our HR and experience team have done a phenomenal job and we are seeing early signs of that stabilization like I mentioned. It's not going to come down to pre-COVID levels or levels from last two years but we do believe that we will get a lot more aligned with industry standards as it relates to attrition. At the same time we are focused and have increased our efforts on recruiting both freshers and laterals so that the

combination effect is giving us that confidence about catering to the demand, that's in front of us. But yes, there is a slightly higher percentage compared to the industry when it comes to our numbers and we do plan to bring that back in line.

**Arun Agarwal:**

As Hiral mentioned, we are seeing quarter-on-quarter attrition quite flat. There's an early sign of recovery at the tail end curve of the quarter; however, when you're seeing the 12 months LTM which we report which includes quarter of last year as well where the attrition was not that high, was pretty low in the lower single digit which is causing quarter-on-quarter LTM numbers look high, but as a confidence which we are getting internally is with a lot of initiatives which has been taken up as a retention strategy, the whole HR and placement team is working on that, recruitment team is walking into multiple direction, breaking up hiring levers, offer to joining ratio to all other levers to ensure people join and not much of the decline is happening. So, there is a multiple intervention which has been done at the company level and we feel more comfortable that attrition is stabilizing and definitely need to do a lot as a focus to ensure we keep reducing this attrition percentage to drive the growth.

**Moderator:**

The next question is from the line of Zubeyr from Mondrian Investment Partners. Please go ahead.

**Zubeyr:**

A couple of questions from my side. The client additions have been somewhat softer compared to few quarters. So, do want to understand if that is a step change in terms of the different strategy where you will be more focused in terms of the clients you pick upon? And second would be on the onsite-offshore mix. So, although the mix has remained pretty stable, the absolute growth on the onsite has been a bit more. Do want to understand if that is something which is more sustainable and this is what would be going forward or is it on the back of a new project that you've taken on?

**Arun Agarwal:**

Very quickly in terms of onshore-offshore mix, the kind of headcount you're seeing in the range from last couple of quarters, we believe the ratio is going to remain range bound, there could be 100, 200 bps improvement which may happen as you grow more of the private sector business because the public sector is primarily focused on the onshore headcount, some of them, yes, have offshore opportunity as well, but as we grow our private sectors a lot in terms of integrated solutioning and other strategy we are talking about US, we are talking about Europe and other geography, we believe this ratio may improve but not significantly, we believe 100 to 200 bps this could be a good range.

**Hiral Chandrana:**

I think we answered that earlier but if you can clarify the question once more because I think our clients' base is fairly high compared to most of our competitors and we are taking a focused strategy on larger clients as well as higher quality revenue within the existing clients. So, to some extent it is by design and to some extent it is our improved ability to engage with Fortune 1,000 and Fortune 500 customers. I know we talked about Fortune 1,000 as a whole but interestingly we've had actually a couple of wins in Q3 which have its Fortune 500 customers

and these are actually very large global clients as well. One of them in particular is in the consumer and CPG space which is a very large client and also has the ability for us to deliver multiple services and multiple service offerings to them. So, the nature of our discussions, the size of our deals, the impact that we're able to make in our existing customers is starting to improve. This goes back to our account mining and client mining efforts which we've talked about in the past. So, we're not necessarily that focused on purely the number of clients that we are adding. While that is an important part of our strategy, but we would prefer to go much deeper in our existing client base and we're seeing the potential to do that with our client base as well. Hopefully that addresses your question.

**Moderator:** We will move to the next participant that is from the line of Lisa from Equentis. Please go ahead.

**Lisa:** It's relating to the order size. Actually, the industry is moving towards smaller size deals because the revenue generation is faster, in that sense. So, I wanted to ask about your strategy of moving to larger deals? And also I wanted to understand what will be the range of the larger deals?

**Hiral Chandrana:** Lisa, it's a good point when it comes to the digital engineering work that we do. A lot of the customers are looking at smaller deals, not just the size but the term of the contract as well, and we continue to have that type of business when it comes to what we call as "Land and Expand" which is starting with a particular point in place and then expanding to other areas. And particular specific deals might not be that large, but over a period of time it does add up. Now having said that, the profile of the deals that we've had historically particularly in the Americas have been much smaller. Like I mentioned two years back \$500k was a large deal. Now we are starting to see that \$5 million, \$10 million deal, so I'm talking about that range of deals which may not be large deals for some of our competitors but I think in our case it's a significant higher profile of deals that we're seeing in the US market. When it comes to UK, what we call a large deal is anything above \$25 million deal and we see a lot of mid-size deals in the \$10, \$15, \$20 million ranges in terms of three year deals, but also our ability now to compete in those \$25, \$30 million plus deals has significantly improved. And this is based on credibility and work we've delivered, I mean, keeping in mind that our customer satisfaction index and credibility of our go live, we've had about 60 customer go lives and releases in Q3. Some of them have been small, some of them have been large, but the point is that there has been no escalation, there has been no downtime and that is giving us the ability to compete in some of these larger deals. So, I would say know about \$25 million would be a large deal in UK and about \$5 million would be a significant deal in the US market. Hopefully that addresses your question.

**Lisa:** Yes, that was helpful. And also another question was about are you facing any challenges in the next quarter in US or UK business the order closure like you all had the seasonality issues in Q2 and Q3 and Q2 I think it was related to COVID and Q3 it was because of the seasonality issues, there were deal slippages?

**Hiral Chandrana:** Q3 was a good order booking quarter for us. From a deal momentum perspective, even though typically the last week, 10 days in December is a little bit tricky with the holidays but our teams did a phenomenal job in stepping up and closing some large orders even in December. Now having said that the larger deals that I was referring to typically do take slightly longer cycles and some of them are more competitive, the large logistics company and trucking carrier deal that we won actually has had competition, which is significantly bigger than us, not just the tier-1 Indian IT services company but even large MNCs that you would probably recognize. So, we've been able to beat some of the larger competition and in deals like that it's going to take a longer process, it's a much more rigorous process. So, that's the only thing I would add saying that some of these more strategic and larger deals are taking a little bit longer in terms of the competitor's life cycle but otherwise we don't see any seasonality or any such thing in Q4 or Q1 going forward.

**Moderator:** The next question is from the line of Ashis Dash from Sharekhan by BNP Paribas. Please go ahead.

**Ashis Dash:** My question is on margin. Arun, you mentioned that there could be some downside in the margin. Why I'm asking, see, these quarters there was no wage hike. So, in Q2 it had 200 bps impacts. Still, we are delivering a flat margin and I can see there are strong growth in data and cloud businesses. So, it's basically higher margin businesses. So, when you say downside not significant, could you please give the outlook of margin what kind of downside you are expecting in FY'23? Earlier you used to mention the hiring. So, is it that kind of margin you are expecting?

**Arun Agarwal:** When I'm talking about downside, I'm talking in the range of 100 bps, not more than that and that too more to be led by if some wages are going up, some you will be able to pass on to customers, some still you have to bear, at the same time you are working on operating levers, there could be certain timing gap in terms of improvement and the timing of the cost which is coming on. We are roughly in the range of 21% margin profile. We are comfortable in any reduction in the range of 50 to 100 bps maximum. Otherwise, we don't see any more impact at least in short term.

**Moderator:** The next question is from the line of Samir Pardikar from ICICI Direct. Please go ahead.

**Samir Pardikar:** What is a rough mix in UK market about government and a private?

**Arun Agarwal:** Broadly it will be 70% public sector and 30% private sector kind of a ratio while we don't share exact percentage.

**Samir Pardikar :** Last quarter you talked about around 25 to 30 deals in the pipeline. So, how much deals are already closed and how much deals that we are basically looking going forward, any update on the deals over there?

**Hiral Chandrana:** Some of that you're seeing that reflect in the Q3 results as well, with the other backlog as well as the increased activity in terms of deal closures. We continue to build on that pipeline. So, obviously we spoke in the last quarter call we've added more deals in the pipeline as well, many of them have closed and many of them are slated to close in this current quarter. So, that pipeline is obviously a continuous process. You can expect a few more significant deals in this current quarter as well. And that is again across UK as well as Americas in the ranges that I was referring to you earlier.

**Samir Pardikar :** Regarding this Middle East our strategy about only few clients and more quality kind of revenue. So, what is your thought process behind this? Is it a geopolitical risk there or what is basically stopping us to go for a larger number of deals over there?

**Hiral Chandrana:** Maybe I can clarify that a little bit. We are actually seeing increased deal activity even in Middle East. The point that I was trying to emphasize on is that the nature of the new clients that we're able to engage are now slightly larger clients where we believe that there's a much longer and more downstream view of the mining that we can do with those clients, right. Second is our existing clients, about 50% of our existing clients, we see are great candidates for cross-sell and co-sell in terms of integrated value propositions. In fact, we moved a senior person from India to Middle East who is going to be focused just purely on this activity on cross-sell and digital services in the Middle East. So, the broader strategy there is that because we're seeing increased engagement with larger clients as well as our ability to mine better in certain segment of clients, it doesn't make sense to go after every single deal. So, we have a focused strategy on certain verticals and growing certain accounts where we now have delivery managers and account managers... clusters of them for specific accounts that we see can become much larger. So, over a period of time that will do two things; the number of clients purely in terms of quantity of number of clients will reduce, the quality of the revenue and the margins will improve and the account size in terms of the revenue coming from an individual account on an average will increase as well. So, we believe that's a better profile when it comes to the Middle East business which positions us competitively and we have a fairly good market share out there, so we have some good credibility and case studies to increase our wallet share with some of our existing customers as well. So, that's really the overall strength.

**Moderator:** The next question is from the line of Mohammed Patel from Care Portfolio Managers. Please go ahead.

**Mohammed Patel:** My first question is in the presentation slide number 14, you have mentioned revenue by contract type. So, the fixed price proportion has increased from 45% in Q2 to 49% in Q3. So, is this the reason for slow growth in Q3?

**Arun Agarwal:** That may not be the right interpretation of this factor because we have both kind of engagement with our customers where we go and talk about the outcome, even a lot of T&M contractors are also based on the outcome while fixed price are definitely outcome-oriented and the margin

profiles are quite similar as well, the growth profile which we are getting both in terms of fixed price and T&M in terms of contract engagements also moving in the same direction. That reflection may not be right to count.

**Hiral Chandrana:** Arun, if I can just clarify and add that, I think it's a good point when it comes to time back to our strategy though. We do have intent to do more fixed price projects and also more projects based on business outcomes. We believe that differentiated us in terms of winning deals. We have the value-based delivery model that we had from our Oracle Cloud business which we are now adopting across Mastek and that ability will give us more predictability of revenue and the ability to deliver on those fixed price projects I talked about from the go lives and releases that we've had, is getting much stronger to some extent. In terms of immediate near-term conversion, it might have had a slight impact because the time and materials business has reduced a little bit. But it is part of our strategy to do more fixed price projects and more business outcome-based delivery and that potentially might be even higher in the coming quarters, but that's part of our design of longer term engagements as well.

**Mohammed Patel:** My second question is that this performance claims incentive to Evosys management, how much transfer is left?

**Arun Agarwal:** You're talking about the CCPS buyout? At the moment we have bought 10% which is going through all the approvals in place and the whole transfer of the cash and the issuance of equity will complete in the month of January. Balance 20% we will be buying out in equal tranches in Q3 of next year or you can say calendar year 2022 but Q3 and similar time in the next year as well.

**Moderator:** The next question is from the line of Vaibhav Badjatya from HNI Investment. Please go ahead.

**Vaibhav Badjatya:** I just wanted to understand what kind of impact the pound fluctuation can have on our bottom line? I understand that most of the public sector revenue, the costs are also pound-denominated. On the revenue side, under the government contracts, is there any clause where we need to pass on some of the fluctuation or it is just fully upon us?

**Arun Agarwal:** All the currencies risk belong to the company. The contract things are more in terms of services we deliver. The pricing is done keeping certain currency fluctuation in the mind so that you can take care of it. Secondly what we do, we have a hedging strategy as well. One, there's a natural hedging. Wherever you are serving onshore, there is an onshore cost as well, so you get the natural hedging from that perspective and whatever you are bringing back to India because of the offshore delivery, there's a hedging which is available and we as a company keep it very active to ensure the pricing which we have factored into the deals with a certain rate in place, we try to cover at least by keeping that rate in the mind in the forward market.

**Vaibhav Badjatya:** That natural hedge would be in the range of 60%, 70% of the revenue or it would be lower?



**Arun Agarwal:** It's a similar range like if you're seeing the headcount split gives you the kind of range between onshore and offshore.

**Moderator:** The next question is from the line of Baidik Sarkar from Unifi Capital. Please go ahead.

**Baidik Sarkar:** I understand the ramp downs in the UK might have been there in the previous quarter and given the impact of this update as well. Given the NHS win today and the ramp of negatives that will come from the closure of other smaller projects, do you reckon we will get back into sequential growth starting Q4 itself?

**Hiral Chandrana:** Yes

**Baidik Sarkar:** What is the annuity versus project this year? Importantly Larry's been talking about the \$20 billion run rate by FY26 for the cloud and ERP projects of Oracle. How does that shape your imagination or how your practice line will play out by then?

**Hiral Chandrana:** Our strategic nature of partnership and the differentiation that we provide in Oracle Cloud space has even gotten better. As you know, they announced in addition to of course the overall cloud uptick inventory, they announced fairly a big acquisition in Cerner and interestingly it was just some of the history in healthcare had done some work and has been doing some work in integrating Cerner with Oracle. So, this puts us in a very unique position because our focus on healthcare and life sciences and our ability now to look at Oracle Cloud in a much bigger way which includes Cerner is also becoming interesting. Some of the deals that I was talking about earlier which is the front office to back office now can even be amplified as we start looking at even platforms like Cerner which become part of the core engine that drives payers and providers. So, all in all, Oracle is bringing us to a lot larger deals and larger clients. The overall uptick in cloud revenue of Oracle, we don't see any stopping at least in the foreseeable two to three years. The market is still high on that growth because some customers are still starting that journey. Yes, we are actually continuing to feel bullish about that space and the Cerner acquisition recently has given us even more confidence to differentiate in the healthcare space.

**Baidik Sarkar:** Would you have the annuity versus projects split handy?

**Arun Agarwal:** Very quickly, Baidik, let me try that out. In the Oracle part of business, our managed services would be closer to 30% and closer to 70% would be kind of implementation business.

**Baidik Sarkar:** How much of your \$170 million book today is the UK private sector?

**Arun Agarwal:** Again, we don't provide the breakup, but as I mentioned earlier our UK business should be 70:30 split in terms of public and private.

**Moderator:** The next question is from the line of Madhur, as an individual investor. Please go ahead.

**Madhur:** I have two questions. One is related to the cloud solution that you mentioned that you are looking for supplementary cloud solutions as well. So, are you looking for developing these capabilities through M&A's or organically? The second one is, are we doing any lot in terms of cloud security solutions as from other peers that we understand is that there is a high demand of cloud security solutions as of now, so if you could explain that as well?

**Hiral Chandrana:** Let me answer the second question first and then come back to first. So, cloud security in many cases is starting to get embedded as part of our discussions and engagements, in fact, one of the deals that we won and a couple that we are delivering are in areas what we call a "DevSecOps." And what this really means is security is embedded in part of the application life cycle and delivery that we're doing in terms of modernizing, in terms of operating and moving them to the cloud. So, that work we're already doing. We have the capabilities and the experience to do that. Now having said that we don't necessarily focus on the security areas very exclusively and there we're taking a partner-based approach. We have ongoing discussions with two or three different cyber security companies and we believe that this is a good area for us to partner when it comes to deeper cloud security capabilities that can add on to our digital engineering and cloud transformation practices. The first question I partly answered but just kind of quickly address it, the areas around Azure and AWS, we have in-house and organic build activities ongoing. So, we're keeping an eye out for inorganic and M&A as well in those areas. And the same holds good for the data automation space and the CX areas.

**Moderator:** Next question is from the line of Parag Dharade, as an individual investor. Please go ahead.

**Parag Dharade:** Can you elaborate a bit more on your capital allocation framework, for example, how much you would like to give as a dividend and how much you want to retain? And the second thing is the float in the market is very less. If there are buyers, the share goes high, if there are sellers share goes down and this has been a historic thing with Mastek. So, have you thought about bringing in more stability for price in terms of increasing number of shares by giving bonus or increasing dividend?

**Arun Agarwal:** In terms of capital allocation, we have been giving dividend in form of interim and the final dividend. That process will continue and as a part of capital allocation as we mentioned about the M&A activity we believe there's a very good potential for us to keep growing and as a combination of the strategy, portion of the growth should come through the organic investment, some will come through partner model, some through M&A. So, it's particularly allocation which is required to meet the vision 2025 and accordingly we will be allocating the capital. But our intention is to maintain the dividend run rate which we are running currently. In terms of float, yes, there is a very valid point. Yes, we do see a similar pattern. Since the float is slow as soon as significant buyer comes in, the prices start fluctuating significantly. However, there is no current plan as such for the bonus issue because that depends a lot with the other strategies including what we have in the reserves, how you can allocate and so on and so forth including a

lot of board level discussion. But definitely we are keeping this in our mind and as we move on and as we finalize the strategy to take further action on it we will intimate all of you.

**Moderator:** The next is a follow up question from the Manoj Baheti from Carnelian Capital. Please go ahead.

**Manoj Baheti:** Just a long-term strategy question to you. You mentioned that there is a transition which is happening from one time implementation to managed services and you are also aggressively working on that. So, on these two things if you can give some color that how you are building the capability, talent what are the things you are doing for this kind of transition? And if you can give some broader picture that in next three years say by 2025 what is your vision, if I see a revenue PI of your company between like one-time implementation and managed services that would be really helpful?

**Hiral Chandrana:** Manoj, I believe this is the last question but it's a good way to end with the three-year strategy and some of the strategic bets and priorities that we put together. So, an example that I gave which was actually a healthcare provider, in the past when it comes to the cloud implementation business, what we had was we used to do the implementation and typically in most cases our project ended and our engagement with the customer ended. Clearly that was working to some extent because we went on to the next implementation and then we went on to the third implementation in different customers and that's why you see a larger number of clients as well. What we've now been able to do is put a bit of a more account focused strategy. And this does not just apply to managed services but it's basically looking at customers for life and looking at account mining and the typical client partner strategy used to grow these accounts. So, the example that I gave you was a classic one and we have a few more like those globally where the implementation was very successful, actually it was a very aggressive six to seven-month implementation which the customers themselves were not very sure if we would be able to deliver, but we actually delivered on it and we went live a couple of weeks back. On top of that, we started to frame up how we would transform their IT landscapes, how we would look at not just supporting their applications in the cloud, in the digital landscape and how we would provide certain additional innovation on top of that. Because moving to the cloud is just one part of the journey. The real value and that's really the reason why we feel we're in a unique position is because almost 50% of our customers have moved to the cloud in some fashion. And now they're starting to look at the cloud economics and look at how will they innovate and how will they create differentiation for their customers meaning our customers, customers. So, that's where we are playing in and managed services is just one step towards that. Clearly requires a different type of skills and talent building, which we have done over the last few months. So, this is not a new initiative as such, but we've strengthened our ability to do that. So I think it's definitely a key part of our overall three-year strategy as well where we look at larger accounts in terms of the lifetime value that we get from the customer and the value we are delivering to the customer as well, not stopping at a particular project, it could be a cloud implementation or a digital engineering project or an e-commerce project but looking at it in multiple surround areas and

building our presence and wallet share around surround areas within that customer as well. So, that is one.

Second is our overall managed services business is probably going to go higher in the next few quarters and you'll see that reflected. There are no specific targets that we have, but we believe we can take it to 40% to 45% of our overall business which gives us a lot more predictability and annuity revenue. And that would be a good place to be in addition to what we do from a digital engineering and a cloud transformation perspective, because we do see that there is going to a lot more investments in data, in automation, in specific areas around industry cloud. So, some of that will still be project-based and we have a fairly solid project-based DNA in our ability to close and engage whether it's cloud projects or digital projects. When we look at two or three other levers and take a three-year view, there is the industry vertical focus that we talked about and I know we talked a lot about healthcare and life sciences but we're seeing some really good traction in manufacturing-centric clients as well. This is where the industrial manufacturing even the engineering and construction kind of companies coming to play. We've also seen some initial signs of specific financial services customers where we've been able to differentiate. So, our ability to be very industry-specific in our differentiation and engagement is an important part of our strategy as well. A lot of these platform companies whether it's Microsoft, Salesforce, ServiceNow or Snowflake or even Oracle and others have started to invest in industry cloud. And to us that's a very positive sign because it really aligns well with the strategy that we've been using to go deep into the industry. So, those are some of the elements that we have as part of our 2025 vision and some of that is in motion right now and of course we're going to amplify many of them in the coming quarters. So, hopefully that addresses your question as well.

**Moderator:** Ladies and gentlemen that would be our last question for today. I now hand the conference over to the management for the closing comments. Thank you and over to you.

**Hiral Chandrana:** I think it's a longer session than expected but just a fantastic set of questions. On behalf of Arun and Ashank as well, I'm sure we really enjoyed the interaction. I do want to reiterate that our people are our most important asset and our customers have always been the focus for us. So, we will not deviate from those two principles because doing the right thing for the customers and delivering well on time which is what we've done and taking care of our people is really what's going to position us better in the future. We want to really thank our investors and all the analysts in the call as well for your support and trust. As you would have seen Mastek's logo has been updated with three words which go hand in hand with what we've done and what we do – Trust, Value and Velocity. And we're going to be living each of those in every single stakeholder, whether it's customers, whether it's our society, our employees, our investors. Our heritage is based on trust. Our focus is going to continue to be based on delivering value whether it's business value, whether it's career value for employees, whether it's social value in our society and we're very confident that our entire leadership team and the entire Mastek force of 4,800 people have come together really well in these challenging times and we're looking forward to more exciting times ahead. I know there's still a lot of variant and pandemic around us and I

really wish everyone all the best and stay safe. We will continue to be transparent and share more details as we make progress and again thank you for all the questions.

**Moderator:** Ladies and gentlemen, on behalf of Mastek Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.